

AMENDMENT IN THE NATURE OF A SUBSTITUTE
OFFERED BY MR. THOMAS

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE; ETC.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Economic Growth and Tax Relief Act of 2001”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) SECTION 15 NOT TO APPLY.—No amendment
11 made by section 2 shall be treated as a change in a rate
12 of tax for purposes of section 15 of the Internal Revenue
13 Code of 1986.

14 SEC. 2. REDUCTION IN INCOME TAX RATES FOR INDIVID-
15 UALS.

16 (a) IN GENERAL.—Section 1 is amended by adding
17 at the end the following new subsection:

18 “(i) RATE REDUCTIONS AFTER 2000.—

19 “(1) NEW LOWEST RATE BRACKET.—

20 “(A) IN GENERAL.—In the case of taxable
21 years beginning after December 31, 2000—

1 “(i) the rate of tax under subsections
2 (a), (b), (c), and (d) on taxable income not
3 over the initial bracket amount shall be 12
4 percent (as modified by paragraph (2)),
5 and

6 “(ii) the 15 percent rate of tax shall
7 apply only to taxable income over the ini-
8 tial bracket amount.

9 “(B) INITIAL BRACKET AMOUNT.—For
10 purposes of this subsection, the initial bracket
11 amount is—

12 “(i) \$12,000 in the case of subsection
13 (a),

14 “(ii) \$10,000 in the case of subsection
15 (b), and

16 “(iii) $\frac{1}{2}$ the amount applicable under
17 clause (i) in the case of subsections (c) and
18 (d).

19 “(C) INFLATION ADJUSTMENT.—In pre-
20 scribing the tables under subsection (f) which
21 apply with respect to taxable years beginning in
22 calendar years after 2001—

23 “(i) the Secretary shall make no ad-
24 justment to the initial bracket amount for

1 any taxable year beginning before January
2 1, 2007,

3 “(ii) the cost-of-living adjustment
4 used in making adjustments to the initial
5 bracket amount for any taxable year begin-
6 ning after December 31, 2006, shall be de-
7 termined under subsection (f)(3) by sub-
8 stituting ‘2005’ for ‘1992’ in subparagraph
9 (B) thereof, and

10 “(iii) such adjustment shall not apply
11 to the amount referred to in subparagraph
12 (B)(iii).

13 If any amount after adjustment under the pre-
14 ceding sentence is not a multiple of \$50, such
15 amount shall be rounded to the next lowest
16 multiple of \$50.

17 “(2) REDUCTIONS IN RATES AFTER 2001.—In
18 the case of taxable years beginning in a calendar
19 year after 2001, the corresponding percentage speci-
20 fied for such calendar year in the following table
21 shall be substituted for the otherwise applicable tax
22 rate in the tables under subsections (a), (b), (c), (d),
23 and, to the extent applicable, (e).

In the case of taxable years beginning during cal- endar year:	The corresponding percentages shall be substituted for the following percentages:				
	12%	28%	31%	36%	39.6%
2002	12%	27%	30%	35%	38%
2003	11%	27%	29%	35%	37%
2004	11%	26%	28%	34%	36%
2005	11%	26%	27%	34%	35%
2006 and there- after.	10%	25%	25%	33%	33%

1 “(3) ADJUSTMENT OF TABLES.—The Secretary
2 shall adjust the tables prescribed under subsection
3 (f) to carry out this subsection.”

4 (b) REPEAL OF REDUCTION OF REFUNDABLE TAX
5 CREDITS.—

6 (1) Subsection (d) of section 24 is amended by
7 striking paragraph (2) and redesignating paragraph
8 (3) as paragraph (2).

9 (2) Section 32 is amended by striking sub-
10 section (h).

11 (c) CONFORMING AMENDMENTS.—

12 (1) Subparagraph (B) of section 1(g)(7) is
13 amended—

14 (A) by striking “15 percent” in clause
15 (ii)(II) and inserting “the first bracket percent-
16 age”, and

17 (B) by adding at the end the following
18 flush sentence:

1 “For purposes of clause (ii), the first bracket
2 percentage is the percentage applicable to the
3 lowest income bracket in the table under sub-
4 section (c).”

5 (2) Section 1(h) is amended—

6 (A) by striking “28 percent” both places it
7 appears in paragraphs (1)(A)(ii)(I) and
8 (1)(B)(i) and inserting “25 percent”, and

9 (B) by striking paragraph (13).

10 (3) Section 15 is amended by adding at the end
11 the following new subsection:

12 “(f) RATE REDUCTIONS ENACTED BY ECONOMIC
13 GROWTH AND TAX RELIEF ACT OF 2001.—This section
14 shall not apply to any change in rates under subsection
15 (i) of section 1 (relating to rate reductions after 2000).”

16 (4) Section 531 is amended by striking “equal
17 to” and all that follows and inserting “equal to the
18 product of the highest rate of tax under section 1(c)
19 and the accumulated taxable income.”.

20 (5) Section 541 of such Code is amended by
21 striking “equal to” and all that follows and inserting
22 “equal to the product of the highest rate of tax
23 under section 1(c) and the undistributed personal
24 holding company income.”.

1 (6) Section 3402(p)(1)(B) is amended by strik-
2 ing “7, 15, 28, or 31 percent” and inserting “7 per-
3 cent, any percentage applicable to any of the 3 low-
4 est income brackets in the table under section
5 1(c),”.

6 (7) Section 3402(p)(2) is amended by striking
7 “equal to 15 percent of such payment” and inserting
8 “equal to the product of the lowest rate of tax under
9 section 1(c) and such payment.”.

10 (8) Section 3402(q)(1) is amended by striking
11 “equal to 28 percent of such payment” and inserting
12 “equal to the product of the third to the lowest rate
13 of tax under section 1(c) and such payment.”

14 (9) Section 3402(r)(3) is amended by striking
15 “31 percent” and inserting “the third to the lowest
16 rate of tax under section 1(c)”.

17 (10) Section 3406(a)(1) is amended by striking
18 “equal to 31 percent of such payment” and inserting
19 “equal to the product of the third to the lowest rate
20 of tax under section 1(c) and such payment.”.

21 (d) EFFECTIVE DATES.—

22 (1) IN GENERAL.—Except as provided in para-
23 graph (2), the amendments made by this section
24 shall apply to taxable years beginning after Decem-
25 ber 31, 2000.

1 (2) AMENDMENTS TO WITHHOLDING PROVI-
2 SIONS.—The amendments made by paragraphs (6),
3 (7), (8), (9), and (10) of subsection (c) shall apply
4 to amounts paid after the 60th day after the date
5 of the enactment of this Act.